



CC 96-45

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September 24, 1997

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

VIA UPS OVERNIGHT

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RE: DA 97-1957; In the Matter of Common Carrier Bureau Seeks Comment on Universal Service Support Distribution Options for Schools, Libraries, and Rural Health Care Providers

Secretary:

Enclosed for filing in the above-captioned matter are an original and four (4) conformed copies of **THE MISSOURI RESEARCH AND EDUCATION NETWORK (MOREnet) AND THE MISSOURI DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE) COMMENTS TO DISTRIBUTION OPTIONS FOR UNIVERSAL SERVICE FUND (USF)**.

Please date and time stamp the extra copy, which is enclosed, and return it to me in the enclosed self-addressed envelope.

Thank you for your attention to this matter.

Sincerely yours,

William A. Mitchell
Executive Director, MOREnet
573-884-7200
573-884-6673 (Fax)

Enclosures

cc: Sheryl Todd (8 copies)
ITS (1 copy)

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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
Common Carrier Bureau Seeks Comment on)
Universal Service Support Distribution Options for)
Schools, Libraries, and Rural Health Care Providers)

EC Docket 96-45

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**The Missouri Research and Education Network (MOREnet) and
The Missouri Department of Elementary and Secondary Education (DESE)
Comments to Distribution Options for Universal Service Fund (USF)**

Introduction

The Missouri Research and Education Network (MOREnet) and the Missouri Department of Elementary and Secondary Education (DESE) respectfully submit their comments on certain provisions suggested in the Public Notice (DA 97-157) released by the Federal Communications Commission on September 10, 1997.

What is MOREnet?

The MOREnet is Missouri's educational telecommunications based delivery system serving higher education, elementary and secondary education, public libraries, state agencies, community information networks and other organizations and government agencies in Missouri.

Its mission is to be a catalyst and the foundation for the development, maintenance and use of information sharing in the state. The MOREnet fulfills this mission by introducing new communication technologies and educating people about them; maintaining, managing and operating a statewide network; fostering cooperation among its members; and supporting its members' education, research and service missions. The MOREnet is dedicated to ensuring Missouri's future by meeting the needs of its members and customers for full access to information services.

The MOREnet provides numerous services to members and customers. They include:

- Training and support for new members;
- Researching and developing new applications;
- Providing statewide leadership in information technologies;
- Representing members in state and national forums;
- Fostering information exchange and cooperation among members;
- Acquiring telecommunications services for its members/customers; and
- Maintaining, managing and operating the electronic network.

The MOREnet is a state partner in providing technology to Missouri citizens, students and faculty. The MOREnet was established in 1990 as an operating unit of the University of Missouri System to support higher education, and was expanded in 1993 at the request of state government to operate and manage a state network on behalf of the state's colleges, universities, schools and libraries.

The MOREnet's primary telecommunications service is Internet access. The MOREnet acts as an state "aggregator" and acquires telecommunications on behalf of its members and customers and the MOREnet is responsible for ordering, management, operations, and payment for these services. The MOREnet does not "own" its network, but invests in Missouri industry by purchasing service from the Internet service providers, telecommunications providers and equipment providers through open public procurement practices. Regulated telecommunications services are acquired under public tariffs.

The MOREnet is contracted by the DESE to implement its Technology Network Project (TNP). In the first three years of the project, more than 480 of Missouri's 525 public school districts have installed Internet connections. The TNP recently received an additional appropriation from the Missouri General Assembly to continue the program, allowing schools to upgrade their connections.

The Missouri Secretary of State's Office has contracted with the MOREnet to execute its Remote Electronic Access for Libraries project, which provides Internet access to traditional civic resources –

public libraries. In the first two years of the REAL project, 101 of 151 libraries have installed Internet connections through the MOREnet.

The Missouri Express project is the state's community information network initiative, sponsored by the Missouri Office of Administration and contracted to the MOREnet. The General Assembly, in FY97, earmarked funding to establish 80 community information networks around the state. In its first year, 17 sites have been approved to participate in the project.

The MOREnet receives a state appropriation to provide access to public higher education and to provide a state backbone and Internet access to all members/customers. Participation fees are collected from all the MOREnet members/customers to augment the state appropriations for enhanced access, training, and other support services.

The MOREnet currently provides services to:

Higher Education institutions: 48
School Districts: 486 of 525
Public Libraries: 111 of 151
Community Networks: 20

Potential for Exhaustion of Funds

There has been much discussion about whether the \$2.25 billion Universal Service Fund (USF) will be adequate to fulfill the needs of all schools and libraries submitting applications. Obviously, we are about to find out January 1, 1998; it is prudent to prepare for the exhaustion of funds should that occur. MOREnet and DESE believe the Congress, Joint Board and FCC intent was to provide as much funding to as many schools and libraries as possible. Congress delegated to the States and FCC¹ the power to determine the appropriate size and mechanism of the funding. The Joint Board and FCC conducted numerous hearings, ex-parte contacts and comments seeking information and definition on the needed

¹ Section 254 of The Telecommunications Act of 1996

size of the fund and appropriate funding levels. However, due to the unprecedented nature of this fund, it's obvious that hard facts defining the size of the fund were difficult to obtain. Thus, we are still debating whether the determined size will be adequate.

The MOREnet and DESE agree with the suggestion to allow a "window" period to be established to allow more parity among applicants, thus alleviating some of the administrative problems associated with the first-come, first-served provision. However, we suggest a longer period than the suggested two-weeks would be more beneficial. We suggest a series of four-week windows after an initial two-week window. The initial two-week period is suggested to allow the administrator to start processing applications as soon as possible, and we believe the four-week period will allow more time for the administrator to complete the application process and, in addition, the four-weeks would coincide with the four-week posting period that has been established.

Should the \$1 billion in funding available between January 1 and June 30, 1998, be depleted, we suggest the last \$250 million be dispersed in accordance with the rules of priority established in the May 8 Order. We also suggest that the schools and libraries that have applied during the first 6 months and did not qualify for funding, due to the rules of priority, be given first priority for the additional \$1.25 billion starting July 1, 1998. Finally, the FCC and Joint Board should forecast the requested amount needed for the last half of 1998 using the trending developed during the first half of 1998. If the fund appears not to be adequate to meet the needs of the projected last half of 1998, the FCC in conjunction with the Joint Board, should determine whether the percentages determined in the matrix² should be revised to accommodate as many schools and libraries as possible.

Report by the E-Rate Implementation Working Group

The MOREnet and DESE commend the "Working Group on the Implementation of the E-Rate" on its report of July 31, 1997. We suggest the following revisions be considered to those recommendations:

² paragraph 520 of May 8, 1997 Order in CC Docket 96-45

To ease the administrative burden on the National Exchange Carrier Association (Administrator) of the fund, to delegate the independent review of the plans and applications to the states, and to allow for coordination of services and encourage consortiums within the states, we believe it was intuitively intended to have each state be the depository of all its data. We suggest each state should be given broad guidelines for accommodating this mission, while given flexibility in its structure and procedures. As instructed by the FCC, this information should be provided to the independent state agency to validate the minimum requirements and assist in preventing abuses, while streamlining the process for schools and libraries. We, therefore, cannot support the suggestion of a Data Warehouse³ which would will be duplicative to the intended process, possibly causing unnecessary delays in the process, and promoting unnecessary costs to the USF, and thereby, divert funds that could be used to provide needed services to the schools and libraries.

The MOREnet and DESE support the long-range goal of developing standardized forms⁴ and further support the suggestion that the process not be delayed while these forms are being developed. We suggest that once these forms are developed that they be put out for public comment prior to being adopted. We concur with the statement of the Working Group that these standardized forms (submitted either electronically or paper⁵) be kept very simple and require the least possible change from existing collection efforts currently being performed by the schools, libraries and their governing bodies⁶.

In regard to the suggestions on the Aggregation of Discount Rates⁷, MOREnet and DESE are strongly supportive of the recommendation that the aggregator of costs be given as much flexibility as possible in allocating common costs. Due to the wide variety of services, technology, and the mix of eligible/ineligible consortium participants⁸ it is intuitive that "one shoe will not fit everyone". One prime example of this is packet switching verses non-packet. The FCC is well aware of the complexities of allocating the costs of packet switching in conjunction with a non-packet environment. The Federal Joint Board CC Docket 80-286 has been evaluating and studying this issue for a number of years, and has

³ Section V, Data Warehouse, Working Group Report of July 31, 1997

⁴ Section VI, Interim Requirements, Working Group Report of July 31, 1997

⁵ Section II, Application Process Provided by E-Rate Ruling, Working Group Report of July 31, 1997

⁶ Section IV, Data Standardization, Working Group Report of July 31, 1997

⁷ Section VII, Aggregate Discount Rate, Working Group Report of July 31, 1997

yet to reach resolution. The same problems that the FCC has in the area of separations exist in the allocation of costs between a shared network of schools and libraries. The Working Group was wise to suggest that the goal of providing each school and library its full discount, should be the lynch-pin for cost allocation. We also agree that the work papers and description of the cost allocation process and procedure be subject to review and audit and that this will provide adequate incentives to ensure these objectives are addressed.

Finally, the MOREnet and DESE support the recommendation and acknowledgment⁹ on the need for flexibility and a "minimal-burdensome methodology" to contend with the complexities and multi-components of a comprehensive information-technology program that may need to be disaggregated. As noted in the report, "An individual school might, for example, procure its internal connections at the district level, receive its Internet access from a geographically larger education service agency and be part of a State network for its voice and data feed." This statement is consistent with the Joint Board's recommendation and FCC's Order that states, "We agree with the Joint Board's conclusion that severely limiting consortia would not be in the public interest because it would serve to impede schools and libraries from becoming attractive customers or from benefiting from efficiencies, such as those secured by state networks¹⁰

Summary of Comments

The Public Notice requests comments on its proposal of creating a "window-period" for accepting applications from schools, libraries and rural health care providers which would give equal priority to all applications filed within a specified window-period, thus eliminating some of the problems anticipated with the "first-come, first-served" provision. The MOREnet and DESE is supportive of creating "window-periods" for accepting the applications. In addition to relieving some of the burden on the administrator, window- periods would create a more equitable system for schools, libraries and rural

⁸ paragraph 564 of May 8, 1997 Order in CC Docket 96-45

⁹ Section III, Aggregation/Disaggregation, Working Group Report of July 31, 1997

¹⁰ paragraph 569 of May 8, 1997 Order in CC Docket 96-45

health care providers. We suggest an initial "window" of two-weeks, followed by four-week window-periods.

For the period between January 1 and June 30, 1998, we are supportive of distributing the remaining \$250 million, should the fund reach the \$750 million benchmark, in accordance with the rules of priority established in the FCC's May 8 Order. We also suggest that should this benchmark be prematurely reached and should the projections, based on the trending of the first 6 months, show that the remaining \$1.25 billion of funding for calendar year 1998 will also be prematurely depleted, then the FCC, in conjunction with the Federal/State Joint Board, should be reconvened to re-access the matrix percentages, so that the annual \$2.25 billion fund can be maximized to assist as many schools as possible, rather than benefiting only a portion.

The MOREnet and DESE commend the "Working Group on the Implementation of the E-Rate"(Working Group) on its report of July 31, 1997. Overall the MOREnet and DESE are very supportive of many of the recommendations that are made throughout this report. However, we suggest that the recommendation of the Working Group to establish a data warehouse¹¹ not be implemented. We note the Joint Board's recommendation and the FCC's Order¹² conclude that the plans and applications be reviewed by an independent entity, preferably a state agency that regulates schools and libraries. We believe that it was the intent of the Joint Board and FCC it establish the reviewer of these plans and applications to also be the depository and collector of these plans in the event of an audit. Therefore, to establish an additional data warehouse, outside the state boundary, would duplicate this process and create unnecessary expenses, thereby diverting funds that could be used to the benefit of schools and libraries. We are supportive of standardized forms and agree with the conclusion of the report that lead time will be needed to establish high-quality standardization, and that the initial submission of forms not be delayed in order to develop standardized forms¹³. We strongly concur with the Working Group Report suggestion that standardized data formats be kept very simple and require the least possible change from existing

¹¹ Section V, Data Warehouse, Working Group Report of July 31, 1997

¹² Paragraph 574 of May 8, 1997 Order in CC Docket 96-45

¹³ Section VI, Interim Requirements, Working Group Report of July 31, 1997

collection efforts by schools and libraries and their governing bodies.¹⁴ In regard to the Aggregation of Discount Rates¹⁵, we strongly concur with the Working Group in suggesting that the FCC recognize that an aggregator or consortium be given as much flexibility as possible in allocating common costs¹⁶, while achieving the over-arching goal that each school and library receives the full benefit of the discount to which it is entitled. Finally, we are pleased that the report recognizes the complexities of Aggregation/Disaggregations¹⁷ and supports a "minimal burden methodology" for accommodating individual schools that may participate in procuring its network from multiple sources, including a State network.

Conclusion

The MOREnet and DESE appreciate the opportunity to comment on these issues and urges the FCC to accept the foregoing suggestions.

Respectfully submitted,

The Department of Elementary and Secondary Education

By: 

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¹⁴ Section IV, Data Standardization, Working Group Report of July 31, 1997

¹⁵ Section VII, Aggregate Discount Rates, Working Group Report of July 31, 1997

¹⁶ Section VII, Aggregate Discounts Rates, Working Group Report of July 31, 1997

¹⁷ Section III, Working Group Report of July 31, 1997